

## Message Text

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ACTION NEA-10

INFO OCT-01 ISO-00 L-02 A-01 FBO-02 ( ISO ) W

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R 190915Z MAY 75

FM AMEMBASSY NEW DELHI

TO SECSTATE WASHDC 8758

INFO AMCONSUL BOMBAY

LIMITED OFFICIAL USE NEW DELHI 6635

E.O. 11652: N/A

TAGS: ABLD, IN

SUBJ: GENERATORS

REF: STATE 115106

1. AS WE HAVE REPORTED RIGHT ALONG, WE DON'T THINK IT  
IS GOING TO BE EASY TO GET THE GOI TO ALLOW TRANSFER OF  
RUPEES INTO FOREIGN EXCHANGE TO THE EXTENT THAT THERE ARE  
DEMONSTRABLE OBLIGATIONS IN INDIA STEMMING FROM THE  
GENERATOR TRANSACTION. IT WILL BE ESPECIALLY DIFFICULT  
SINCE THE ATTORNEY REPRESENTING HYDE AND SMITH SPECIFICALLY  
AGREED TO USING A PORTION OF THE RUPEES RELEASED FOR THE  
AIR FREIGHT BILL TO PAY EXPENSES INCURRED IN INDIA.  
BEFORE WE CAN APPROACH THE GOI ON THE MATTER WE MUST HAVE  
ANSWERS TO SOME QUESTIONS. FIRST, WHY I N'T IT LEGITIMATE  
TO SUBTRACT ENOUGH RUPEES TO COVER EXPENSES INCURRED IN  
INDIA FROM THE FOREIGN EXCHANGE TO BE TRANSFERRED? WE  
CAN ARGUE THAT HYDE'S EXPENSES SHOULD NOT BE DEDUCTED FROM  
THE AIR FREIGHT PAYMENT TRANSFER, BUT WHAT CAN WE SAY ABOUT  
SMITH'S EXPENSES WE HAVE THOUGHT ABOUT THIS ONE HARDN  
AND WE CAN'T THINK OF AN ARGUMENT AGAINST DEDUCTING SMITH'S  
EXPENSES IN INDIA FROM THE AMOUNT TO BE TRANSFERRED. IF  
THE AMOUNT SAREEN AGREED WOULD NOT BE TRANSFERRED INCLUDES  
SOME OF HYDE'S EXPENSES AS WELL AS SMITH'S, PLEASE ASK  
HYDE FOR A BREAKDOWN OF WHAT COMPRISSES HIS EXPENSES AND WHAT  
COMPRISSES SMITH'S EXPENSES. THE MORE DETAILED THIS  
BREAKDOWN IS, THE BETTER. FINALLY, IF THE AMOUNT ACTUALLY  
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TRANSFERRED IS INSUFFICIENT TO PAY SEABOARD, HOW MUCH IS

THE SHORTFALL? WITH SUCH INFORMATION AT HAND, WE'LL DO WHAT WE CAN, BUT AS YOU CAN APPRECIATE FROM OTHER ASPECTS OF THIS CASE, IT'S GOING TO TAKE A LOT OF TIME AND EFFORT FOR A SMALL AMOUNT OF MONEY EVEN IF WE SUCCEED. IS THE DEPARTMENT SURE IT WANTS US TO GO AHEAD?

2. AS REGARDS HYDE'S OFFER, WE DON'T THINK IT CAN SERVE AS AN INITIAL NEGOTIATING POSITION (ANYHOW, WE THINK WE ARE WAY BEYOND THE POINT OF INITIAL NEGOTIATING POSITIONS). REMEMBER, THE GOI ACCEPTED THIS UNPRECEDENTED ARRANGEMENT IN THE FIRST PLACE WITH THE CLEAR UNDERSTANDING THAT THE WHOLE TRANSACTION WOULD BE IN RUPEES. THE BOTTOM LINE ON HYDE'S "NEW" PROPOSAL COMES OUT TO EXACTLY THE SAME SUM OF MONEY, ONLY HE SETS FORTH HIS DOLLAR WANTS AND ADDS, IN EFFECT, "GIVE ME THE REMAINDER IN RUPEES." MAYBE THE DEPARTMENT THINKS WE CAN SELL SUCH A PROPOSITION TO A SKEPTICAL GOVERNMENT OF INDIA. WE DON'T. WE THINK WE CAN SELL A COMPROMISE SETTLEMENT, WHICH DOES GIVE HYDE ENOUGH MONEY TO PAY FOR THE GENERATORS AND AVOID BANKRUPTCY. IT MIGHT BE BETTER TO SAY, "WE THOUGHT WE COULD SELL A COMPROMISE SETTLEMENT..." THE CAST OF CHARACTERS IN THE GOI WHO KNOW OR CARE ANYTHING ABOUT THIS MATTER IS RAPIDLY CHANGING, AND TIME IS NOT ON OUR SIDE. IN FACT, IF HYDE DOESN'T RAPIDLY SHOW MORE DISPOSITION TO COMPROMISE, WE ARE LIKELY TO BE IN THE POSITION WHERE THE ONLY WAY OUT WILL BE TO SHIP THE GENERATORS BACK AS PROPOSED BY HOUSE (PARA. 2 NEW DELHI 896).

SCHNEIDER

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